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Demand for most farm products has strengthened in the last few weeks and is likely to increase further as the defense program gains momentum.

This spring and early summer, before Korea hit the headlines, economic activity in the United States was rising steadily toward the highest levels in history.

In June, industrial production topped the previous peacetime peak of late 1948 by 2 percent. Spending for new construction in the first half of this year set a new record and was 17 percent above the first half of 1949. The number of civilians employed in June was just a shade under the 1948 peak. Consumer income has been rising steadily and in May, the annual rate was 6.3 billion dollars above a year earlier. Prices at farm, wholesale and retail levels had been edging upward. Demand for some goods, particularly building materials and metals was so strong that manufacturers were hard pressed to fill all their orders.

As military procurement increases, both for U. S. forces and for aid to foreign nations, supplies of some commodities available to consumers will be reduced.

Supplies of farm products, however, are likely to be ample. According to the July report, crop production this year will be higher than in 5 of the last 8 years though down a little from 1949. Output of livestock products will be larger than last year.

Even if military procurement increases some in coming months, supplies of food available to civilians are expected to continue at about the same high level as in the past 2 years. For 1950, consumption per person will be about 11 percent more than in 1935-39; slightly more than in 1941, the record prewar year.

Demand for food may strengthen because of the impact of the defense program on employment and consumer income. But retail food prices the rest of the year probably won't rise more than 3 to 4 percent above the July level. For 1950, they are expected to average about the same as in 1949.

Prices reacted quickly to the news of the conflict in Korea.

Imported commodities, particularly rubber, tea and coffee were first to feel the impact with prices rising rapidly in late June. Prices of domestic commodities soon joined the advance.

The wholesale price level jumped 4.2 percent from the week ending June 27 to the week ending July 25. Farm products and foods scored by far the largest advances.

Prices paid by urban consumers of moderate incomes rose an average of about 2 percent from May to June. The July figure is not yet available.

The advance in prices received by farmers, which has been going on most of this year, picked up speed from mid-June to mid-July. The $6\frac{1}{2}$ percent gain pushed the average 6.9 percent above a year earlier. Sharpest advances were made by hogs, cotton and eggs. Also making sizeable gains were wheat, rice, corn, soybeans, cattle, calves and chickens. Chief products showing declines were oats, grain sorghums, hay, flaxseed, oranges, lemons and butterfat.

The index of prices paid by farmers including interest, taxes and wage rates was up slightly from mid-June to mid-July for the 5th consecutive month.

With prices received up more than prices paid, farmers' prices generally exceeded parity in mid-July for the first time since April 1949.

LIVESTOCK AND MEAT Output of meat has reached its seasonal low, will increase gradually through most of the rest of the year. In the October-December quarter, output is expected to be slightly above last year. Most of the gain will be in pork and the better grades of beef. Output from grass cattle probably will be about the same as last fall, while veal and lamb production probably will be smaller.

Prices for meat and meat animals probably will decline seasonally this fall. However, stronger consumer demand as result of defense program may limit effect of seasonally larger marketings.

DAIRY PRODUCTS The milk flow reached its seasonal peak a little later this year than usual because of slow development of spring pastures. Output for the first half of this year was 2 percent above the same period of 1949; for 1950 as a whole may set a new record.

Supplies of dairy products exceed consumer and storage demand at support prices. Excess is going into USDA stocks.

POULTRY AND EGGS Production of poultry and eggs are not likely to be affected by Korean conflict until current production cycles are completed. This means not much change in broiler supplies for 4 or 5 months and in egg supplies for about a year.

Prices of eggs received by farmers jumped an average of 4.1 cents per dozen from mid-June to mid-July, sharpest increase on record for the period. Production is about 5 percent above a year earlier and stocks of shell eggs in storage are 60 percent above those of a year ago.

Because of heavy demand for poultry in prospect, chicken prices may continue near or above July levels.

FATS AND OILS Output of edible vegetable oils is likely to be lower than a year ago unless soybean yields are up to last year's record. The decline would more than offset the increase in lard production.

Wholesale prices of many major fats and oils rose substantially in July.

FEED SITUATION Supplies of feed concentrates in prospect for 1950-51 are only slightly smaller than the 1949-50 record, either in total or per grain-consuming animal unit. Hay supplies per hay-consuming animal unit may top all past marks.

Average farm prices for corn in mid-July were up to \$1.44 per bushel. This was the first time the farm price exceeded the U. S. average support level of \$1.40 since before the bumper 1948 crop was harvested. Prices of most other feed grains also advanced. Gains reflected strong demand and market reaction to Korean developments.

WHEAT Wheat prices to growers averaged at the support level of \$1.99 per bushel in mid-July. However, winter wheat prices still were a little below the support level. Price of No. 2 Hard Winter at Kansas City on July 28 was 3 cents under the loan rate of \$2.25.

Carryover of wheat July 1 was 417 million bushels. With the crop estimated at 957 million, total supplies for 1950-51 will be 1,374 million bushels, about 5 percent less than last year.

FRUITS AND VEGETABLES Deciduous fruits are expected to bring somewhat higher prices than a year earlier in August and September. The crop is about a tenth smaller than last year, stocks of canned deciduous fruits have been reduced, and consumer demand is expected to stay strong.

Prices for fresh vegetables in August and September will be down seasonally from earlier in the summer but will be about the same as last year. Total output is expected to be about the same as last year.

The potato crop in the late States is estimated to be smaller than last year but will be larger than the market will absorb at support prices. Prices are expected to continue lower than a year earlier.

Because sweet potato production is expected to be 7 percent larger than last year, prices probably will be moderately lower.

COTTON AND WOOL Domestic consumption and exports of cotton during the 1949-50 season, which ends August 1, is expected to approach $14\frac{1}{2}$ million bales, the highest in 17 years. This will leave a carryover of about 7 million bales, about $1\frac{3}{4}$ million more than a year earlier. In late July, cotton prices were at the highest level in 2 years.

The acreage of cotton in cultivation July 1 is down 31 percent from 1949 and except for 1945 and 1946, the lowest since the 1870's.

Prices of shorn wool in the last 3 months when marketings were seasonally heavy have averaged considerably higher than last year. Practically all of the 1950 spring clip has been sold by growers.

TOBACCO Domestic requirements for flue-cured tobacco will remain large and export prospects are favorable. Prices for the season are expected to top last year's average of 47.2 cents per pound.

